REQUEST FOR PROPOSALS

FOR

WIND ENERGY PROJECTS

STATE OF MONTANA

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

STATE SCHOOL TRUST LANDS

May 2002

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GENERAL INFORMATION

1. DESCRIPTION OF SOLICITATION

1.1 Introduction

The Department of Natural Resources and Conservation (DNRC) requests proposals from wind energy project developers for the development of wind exploration and energy facilities to be located on state school trust lands. The state school trust lands covered in this RFP are shown in Exhibit A.

DNRC seeks proposals from experienced wind project developers capable of designing, constructing, financing, and operating a commercial-scale wind energy facility. To receive serious consideration, proposals must also incorporate state-of-the-art measures to minimize impacts to the environment.

This RFP has been developed into 3 phases.

Phase I:

Compensation

Access roads to projects

Proposer name and address

Highest Legitimate bidder will be invited to submit information required in Phase II.

Phase II:

Developer Experience

Known environmental review issues relative to the development and project

If the Department determines the proposal is responsive and meets minimum criteria either a lease option agreement for “wind exploration” will be offered, or a lease for wind energy upon the completion of the elements of Phase III and Environmental Review.

DNRC reserves the right to reject any or all proposals.

1.2 Trust Lands Offered for Wind Energy Project

Cascade County:
T14N R1E: Sec 14

Lewis and Clark County
T14N R5W: Sec 8

Jefferson County:
T1N R5W: Sec 16

Judith Basin County:
T8N R13E: Sec 6, 8, 12, 14, 16, 36
T8N R14E: Sec 1, 6, 16, 18, 32, 36
T9N R13E: Sec 6, 8, 16, 20, 36

T9N R14E: Sec 16, 22, 30, 36
T13N R13E: Sec 2, 3, 7, 9, 10, 14, 15, 16, 18, 19, 20, 22, 23, 28, 29, 30, 31, 32, 33
T16N R10E: Sec 1, 2, 3, 4, 5, 6, 7, 8, 9, 21, 22, 23, 24, 26, 30, 34, 35, 36
T16N R11E: Sec 2, 3, 5, 6, 10, 11, 14, 15, 16, 20, 21, 22, 23, 26, 27, 29, 30, 31, 34
T17N R9E: Sec 4, 5, 6, 11, 16, 17, 18, 21
T17N R10E: Sec 2, 4, 9, 10, 11, 12, 13, 14, 15, 16, 17, 21, 22, 23, 24, 25, 26, 27, 28, 35, 36
T17N R11E: Sec 1, 2, 7, 8, 9, 10, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 26, 27, 28, 29, 30, 31, 32, 34, 35, 36

Stillwater County:
T2N R18E: Sections 16, 36
T1N R18E: Sec 16
T1N R19E: Sec 2, 6, 8, 10, 12, 14, 16, 20, 22, 36

Sweetgrass County:
T1N R12E: Sec 16, 36
T1N R13E: Sec 16

Wheatland County:
T10N R15E: Sec 36

1.3 Contents of this Request for Proposals

This Request for Proposals (RFP) consists of a statement of Project Requirements and a Response Format. The statement of Project Requirements describes the features DNRC seeks in wind project proposals, the criteria that will be used to evaluate them, and other considerations. The Response Format describes the contents and format required for the technical and cost proposals.

1.4 Objectives

DNRC's objectives in issuing this RFP are:

- To lease state trust lands for wind exploration and new commercial scale wind facilities;
- To generate income for state trust beneficiaries that reflects fair market value of the use of trust lands for wind energy development;
- To achieve commercial operation of the wind projects as soon as possible, with minimal impacts to the environment.

This solicitation is not aimed at research, development, or demonstration projects.

1.5 Solicitation Schedule

The schedule for this RFP is as follows:

May 8, 2002 Publish Request for Proposals

May 25, 2002 Deadline to submit questions and request RFP clarification to DNR

June 4, 2002 DNRC answers to question to everyone on the distribution list

June 28, 2002 Phase I Proposals are due by 5:00 p.m. Mountain Standard Time

1.6 Where to Send Proposals; Deadline for Receipt

Submit five paper copies of the proposal to the address shown below:

If by mail: COMPETIVE BID
DNRC
Attn: Jeanne Holmgren
1625 11th. Ave.
Helena, Mt. 59620
If by delivery service: SAME AS ABOVE

Also provide a CD, or email the file(s), containing the proposal to: jholmgren@state.mt.us.

The file(s) must be in Microsoft Word and Excel files.

All proposals must be received before 5:00 Mountain Standard Time (MST) on June 28, 2002 to receive consideration.

1.7 Withdrawal and Modification of Proposals

Bidders may withdraw their proposal and submit a revised proposal prior to the response deadline. After the response deadline, bidder-initiated changes will not be accepted. Bidders may withdraw their proposal from consideration at any time.

1.8 Confidential or Proprietary Information

DNRC will not accept proposals or other documents that are marked to indicate the entire document is the confidential or proprietary information of the sender or that restricted handling is required. Normal business propriety will be observed in handling proposal materials. If the bidder considers the Cost Proposal or Wind Resource Data to be confidential or proprietary, those portions of the proposal must be clearly marked "Confidential" on every page.

1.9 Communication

All communication with DNRC related to this RFP must be sent by email to the following address: jholmgren@state.mt.us.

Parties who request a copy of the RFP or send email regarding the RFP will be placed on an email distribution list. Questions and requests for clarification regarding the RFP — and DNRC responses — will be distributed to everyone on the email distribution list.

2. RESPONSE FORMAT

2.1 Introduction

This section contains the instructions for preparing the Technical Proposal. If more than one proposal is submitted, each must be submitted as a separate proposal that includes the requested project information. A minimum set of mandatory information is required to ensure an adequate description of the proposed work. A prescribed format for the proposal is given to facilitate preparation and evaluation.

The merits of a proposal depend on: (1) how well the proposal demonstrates understanding of and meets DNRC's objectives and requirements as described in the Project Description; (2) the bidder's qualifications; and (3) the bidder's responsiveness to the technical proposal preparation instructions, which follow. Additional material may be presented beyond that requested only if it is necessary for clarification of the proposal. Elaborate proposals, lengthy discussions, and non-critical attachments are discouraged.

2.2 Proposal Details and Format

The proposal presents the bidder's plans for the project based on the concepts given in the Project Description, the details requested below, and how the bidder expects the project to proceed.

The proposal must be organized and have the requested information in the sequence presented below. Sections must be numbered and identified as given below. Additional subsections may be defined if they will help present and identify important material. If a requested item is not known or is not applicable, so state in that section of the proposal. Relevant documents may be cited, but copies are not expected to be included as part of the proposal at this time unless specifically requested.

Proposals must be typed single space on 8.5x11 inch paper with each page numbered. Proposals must also be submitted as computer files in Microsoft Word. The computer files should be submitted on a CD or emailed to jholmgren@state.mt.us.

2.3 Proposal Evaluation Process

Each proposal received on time will be reviewed and evaluated by a proposal evaluation panel composed of DNRC staff and consultants.

Proposals will be screened to determine if they contain the requested information in the required format. Proposals that meet these criteria will be designated *responsive* and proceed to the next level of evaluation. Proposals that do not meet these criteria will be designated *non-responsive* and set aside.

Responsive proposals will be evaluated and ranked according to the criteria found in Phase I, II, and III.

2.4 Developer Selection and Contract Award Process

The responsive proposal(s) with the best overall score will move into the contract negotiation stage. If no proposals are deemed satisfactory, DNRC may return all proposals and issue a new solicitation.

The top ranking bidder(s) will be contacted to confirm details relative to their Technical Proposal, development schedule, and compatibility with DNRC's decision-making schedule. A letter of intent to enter into contract negotiations will be sent to the bidder(s). Best faith efforts will be made at this stage by DNRC and the selected bidder(s) to establish contract terms that meet the respective parties' requirements. If this is not possible within 90 days of issuing the letter of intent, the proposal will be eliminated and the process may be repeated for the next adequate proposal.

PHASE I

3.1 TECHNICAL PROPOSAL

3.1.1 Cover and Title Page

Show the name of the project, company name, date of the proposal, the person responsible for the proposal preparation, and all cosponsors currently in the project. The cover shall include the legend “Technical Proposal for Evaluation Purposes by or on behalf of the "Department of Natural Resources and Conservation”. Number each copy on the cover.

Clearly show that this is the Technical Proposal Phase 1 volume on both the cover and title pages. Number each copy of this volume from 1 to n, where n is the total number of copies submitted.

3.1.2 Project Summary

Summarize the project, including key elements such as the location including section, township and range. Minimum acreage per section is 160 acres in size.

3.1.3 Site Control

Provide documentation of ownership status of roads used to access the project sites contained in the proposal.

3.1.4 COMPENSATION TO THE STATE

The proposer must detail the annual planned compensation to DNRC for the ground lease of state school trust land. The minimum annual bid is as follows:

Exploration:

Wind exploration $1.50 per acre per year, with a minimum of 160 acres secured per section.

Installation Fees:

Minimum one time installation fee equal to $1,000 per megawatt of installed capacity.

Operating Fee:

Two and one half (2.5%) percent of gross annual revenues, or $1,500 for each megawatt of installed capacity, whichever is greater.

Definition of "Gross Annual Revenues"

Payments received by or on behalf of Lessee from a utility or from any other person or entity for electrical generating capacity and for electricity sold to a utility or to any other person or entity by the Lessee which is generated from the normal and intended use of the wind power facilities constructed by the Lessee and located on the state trust land. Also includes payments to the Lessee by an insurer or by the manufacturer of any wind turbine generator, which are made specifically in lieu of revenues as defined above.

3.1.5 Threshold Requirements

Proposed projects must meet the following threshold requirements. Proposals that do not meet these requirements will be rejected.

Phase I, II and III

The proposal must be received before the response deadline, adhere to the Response Format, and contain all of the requested information.

3.1.6 Proposal Evaluation

Phase I

1. Compliance with the threshold criteria (see section 3.1.5 above). Proposals that do not satisfy the threshold criteria will not receive further consideration. (50 points for compliance)
2. Annual lease fee (100 points)

Following review of the information contained in Phase I proposals; the highest legitimate bidder will be invited to submit the information from Phase II and III.

PHASE II

3.2 TECHNICAL PROPOSAL

3.2.1 Developer Experience and Project Participants

Include background information indicating why the proposer is qualified to bid on the RFP.

Identify the organizations and key personnel responsible for implementing the project. Identify the project manager, his/her tenure, and scope of responsibility.

Identify the management structure and key managers who will be responsible for the following technical work area:

- Project wind resource assessment and energy projections.
- Power plant design, engineering and construction specifications.
- Interconnection and substation design.
- Project environmental assessments.
- Permits and related approvals.
- Power plant construction and commissioning.
- Power plant operations.
- Power plant maintenance.

Include a brief description of the direct wind power and other relevant experience of the key personnel for their responsibility area listed above.

Identify contacts and references (name, title, address, telephone, and fax numbers) knowledgeable about the previous wind project experience of the key participants in the project.

Discuss any known and planned relationships with other utilities, developers, vendors, subsidiaries and others that will participate in the planning, development or operational phases of the project. This does not include ad-hoc project consultants or contractors.

Identify the wind power related consultants and contractors you expect to use on the project.

Discuss who will be responsible for the routine operation and control of the wind plant, their qualifications, and when they will assume that responsibility.

Identify third parties, if any, which will be used to finance the project. Discuss the assurance of such support.

3.2.2 Environmental Review, Key Permits

Discuss known environmental issues relative to the development and operation of the project, including avian issues and baseline noise levels. If possible, provide a copy of an up-to-date listing of candidate, listed, and proposed endangered or threatened species habitat in the proximity of the project. This listing can be obtained from the U.S. Fish and Wildlife Service.

Provide copies of any wildlife or other environmental studies that have been performed related to the project. If such studies are in progress, describe them and identify the person(s) or firm(s) doing the studies.

Describe measures that will be taken to minimize the potential for avian mortality, noise, and visual impacts of the facility.

Identify the key permits (such as a conditional use permit or site certificate) required to build and operate the project. Discuss their current status, the schedule for obtaining key permits and approvals, and the approach to be used. Include this schedule in the schedule requested in section 3.3.10.

Outline the process you plan to follow to involve local residents in the planning/permit process.

Identify contacts and references (name, title, address, telephone, and fax numbers) knowledgeable about the previous wind project experience of the key participants in the project.

Discuss any known and planned relationships with other utilities, developers, vendors, subsidiaries and others that will participate in the planning, development or operational phases of the project. This does not include ad-hoc project consultants or contractors.

Identify the wind power related consultants and contractors you expect to use on the project.

Discuss who will be responsible for the routine operation and control of the wind plant, their qualifications, and when they will assume that responsibility.

Identify third parties, if any, which will be used to finance the project. Discuss the assurance of such support.

3.2.3 Threshold Requirements

Proposed projects must meet the following threshold requirements. Proposals that do not meet these requirements will be rejected.

Phase I, II and III

1. The proposal must be received before the response deadline, adhere to the Response Format, and contain all of the requested information.

Phase II

2. The project developer has successfully built and operated utility-scale wind projects.

Phase II and III

3. The developer must be willing to cooperate in the environmental review required under MEPA. MEPA requires state agencies to consider the environmental impacts of any major decision before making an irretrievable commitment of resources. The MEPA process is described in section 4.3 below. Costs associated with the development and completion of MEPA will be assessed to the proposer

3.2.4 Proposal Evaluation

1. Proven capability to build and operate large-scale wind energy facilities (100 points)

    Key Managers experience 10 years 50 points

    Planned relationships with other utilities, developers, vendors

    Power purchase agreements 50 points

    No purchase agreements 0 points

    Plan to develop power purchase agreements 20 points

Your proposal will be ranked overall according to this total set of proposal evaluation criteria.

The proposal evaluation panel may determine that additional information is needed to fully evaluate a proposal. Information or required details may be sought from the proposer in the form of additional written material or oral presentation that will expand upon the original material presented in the proposal.

If the Department determines the proposal is responsive and meets minimum criteria, a lease option agreement for "wind exploration" will be offered to the proposer, pending completion of an environmental analysis of the actions proposed.

PHASE III

3.3 TECHNICAL PROPOSAL

Phase III must be completed and approved prior to issuance of a lease for wind energy development.

3.3.1 Project Description

Describe the project in greater detail. Describe the project's features and the work completed to date. Indicate if requested information is not known. Include the following information (this list is indicative, not exhaustive):

- Project location. Provide a map showing the location of key sites for facilities.
- Project size in acreage. If the project can be expanded, please describe.
- Expected annual and monthly output (in megawatt-hours) of the facility. A graph showing monthly output is suggested.
- The make and model of wind turbines that will be used. If a final wind turbine selection has not been made, list the candidates under consideration.
- Where the facility will connect to a transmission system, and any new transmission facilities that will be required.
- The schedule for permitting and construction, and expected date of commercial operation.

3.3.2 Project Site and Expansion Potential

Describe the size of the wind power plant (number of units, nameplate capacity, and estimated annual output) to be installed as part of the proposed project. If additional wind turbines could be installed in the future, estimate the potential total installed nameplate capacity of wind turbines that could be installed at the site.

3.3.3 Site Control

Provide documentation of site control, including wind rights, access road, and transmission corridor easements needed to construct and operate the facility during the term of the power purchase agreement. An example of such documentation would be copies of lease agreements with landowners.

3.3.4 Project Output

Provide an estimate, in tabular form, of monthly and hourly project output in megawatt-hours. Provide this information separately as an Excel file. Describe how the estimate was derived.

3.3.5 Wind Resource

Describe the source and basis of the wind speed data used in the development of the proposal. Include the purpose and location of the data collection, period of record, levels of measurements and seasonal data recovery, and the organization responsible for the data collection.

3.3.6 Project Description

Describe the project in greater detail. Describe the project's features and the work completed to date. Indicate if requested information is not known. Include the following information (this list is indicative, not exhaustive:

- Expected annual and monthly output (in megawatt-hours) of the facility. A graph showing monthly output is suggested.
- The wind turbines that will be used. If a final wind turbine selection has not been made, list the candidates under consideration.
- Where the facility will connect to a transmission system, and any new transmission facilities that will be required.
- The schedule for permitting and construction. The expected date of commercial operation.

Describe the wind data collection program for the site. Discuss how the long-term annual expected energy from the project would be established.

3.3.7 Major Equipment

Describe the selection criteria and process that was used to select the wind turbine. Describe past operating experience, if any, with the selected turbine and manufacturer.

Provide technical specifications for the selected turbine.

Describe the other major wind plant components, such as towers, controllers, major electrical components, and software. Identify the suppliers and provide technical specifications.

Include the schedule for procurement and delivery of the turbines and other key components of the project in the schedule requested in section 3.3.10.

3.3.8 Transmission Availability and Electrical Interconnection

Identify the expected interconnection point to the available transmission system. Discuss any new pole lines, line upgrades, switchyards and substation work required to complete the interconnection.

Discuss the distribution or transmission grid capacity at the interconnection now, after planned upgrade work, and then after the project is in full operation.

Provide copies of system impact studies, interconnection studies, and correspondence with appropriate Transmission Business Line related to the availability of transmission capacity and whether system upgrades will be needed to integrate the proposed wind project.

Discuss the availability of transformers and other long-lead electrical equipment that will be required to support the project.

Describe plans for metering the energy from the project.

Include the schedule for completing the expected electrical interconnection work in the schedule requested in section 3.3.10.

3.3.9 Environmental Review, Key Permits

Discuss known environmental issues relative to the development and operation of the project, including avian issues and baseline noise levels. If possible, provide a copy of an up-to-date listing of candidate, listed, and proposed endangered or threatened species habitat in the proximity of the project. This listing can be obtained from the U.S. Fish and Wildlife Service.

Provide copies of any wildlife or other environmental studies that have been performed related to the project. If such studies are in progress, describe them and identify the person(s) or firm(s) doing the studies.

Describe measures that will be taken to minimize the potential for avian mortality, noise, and visual impacts of the facility.

Identify the key permits (such as a conditional use permit or site certificate) required to build and operate the project. Discuss their current status, the schedule for obtaining key permits and approvals, and the approach to be used. Include this schedule in the schedule requested in section 3.3.10.

Outline the process you plan to follow to involve local residents in the planning/permit process.

Identify contacts and references (name, title, address, telephone, and fax numbers) knowledgeable about the previous wind project experience of the key participants in the project.

Discuss any known and planned relationships with other utilities, developers, vendors, subsidiaries and others that will participate in the planning, development or operational phases of the project. This does not include ad-hoc project consultants or contractors.

Identify the wind power related consultants and contractors you expect to use on the project.

Discuss who will be responsible for the routine operation and control of the wind plant, their qualifications, and when they will assume that responsibility.

Identify third parties, if any, which will be used to finance the project. Discuss the assurance of such support.

3.3.10 Schedule

Provide, in a format such as a Gantt chart, the best schedule estimates available on the various project activities to cover the program from the date a lease agreement is executed through the project's commercial operation. Include the time lines requested in other sections of this Technical Proposal so that all schedules are together. Provide any additional time lines applicable to the project that help to show its status and plans.

3.3.11 Additional Information

Provide additional information, with appropriate headings, that will help describe the project and plans.

3.3.12 Threshold Requirements

Proposed projects must meet the following threshold requirements. Proposals that do not meet these requirements will be rejected.

Phase I, II and III

1. The proposal must be received before the response deadline, adhere to the Response Format, and contain all of the requested information.

Phase III

2. The developer must demonstrate site control by providing copies of wind leases on adjacent lands or other evidence that the developer has secured all land and access rights needed to construct and operate the facility for the term of the lease.
3. Output from the facility must be delivered to a transmission line that has sufficient capacity to transmit it and has firm and or non-firm transmission rights available or already in the proposers name. Transmission considerations are discussed in section 4.2 of this RFP. The proposer must demonstrate that the above is possible or necessary steps will be taken to acquire and accomplish the requirement.
4. The developer must provide estimates of hourly, daily, and monthly power production, as further described in the Response Format section of this RFP.

Phase II and III

5. The developer must be willing to cooperate in the environmental review required under MEPA. MEPA requires state agencies to consider the environmental impacts of any major decision before making an irretrievable commitment of resources. The MEPA process is described in section 4.3 below. Costs associated with the development and completion of MEPA will be assessed to the proposer

4. FINAL PROJECT REQUIREMENTS

This RFP is directed at experienced wind project developers with demonstrated ability to design, construct, operate, and maintain large-scale wind energy facilities. Respondents must be able to obtain transmission rights, necessary road and utility easements, the lessee is responsible for the design, labor, materials, and equipment necessary to construct and operate the project.

Respondents must be able to obtain construction and long term project financing. Respondents will be responsible for a transmission study to determine if nearby transmission lines have the carrying capacity to accept and deliver energy generated from the wind project & costs associated with the preparation and completion of the environmental review under the Montana Environmental Policy Act (MEPA).

4.1 Project Design

The developer must design, engineer, procure, construct, install, and provide all support necessary to build a wind energy facility and deliver the output to an available transmission system.

The developer must secure all land rights, easements, and rights-of-way needed to construct and operate the facility.

The developer will be responsible for obtaining or updating any permits or agreements required for the project, including any wheeling agreements necessary to deliver project output to existing transmission systems. The developer will be responsible for costs of environmental impact mitigation, monitoring, and studies required for the project. The developer will be responsible for operating, maintaining, and decommissioning the facility, and the associated costs.

Wind turbines must be appropriate for utility-grade operations and designed to have an expected life commensurate with the term of the lease. Wind turbines must be procured from an established vendor of commercial wind turbines. Advanced wind turbine designs or important modifications to previous versions of the same turbine or auxiliary equipment components will be considered, provided other requirements of this RFP are met. However, field-testing of new turbine designs is not an objective of this RFP, and proven designs will be preferred.

Electrical equipment, metering, and interconnection facilities must be selected, installed, and maintained in accordance with prudent utility industry practices and must comply with further requirements as described in section 3.3.8.

4.2 Interconnection to the Transmission Systems

Obtaining a system impact study to determine transmission availability and upgrades necessary to integrate the project is the responsibility of the project developer. A professional Transmission Services Associate should be contacted for information regarding the cost and time required for the system impact study.

Facilities necessary to deliver the output to the transmission line and the cost of hardware and engineering services needed to connect to the system are the responsibility of the project developer. The developer will need to request an interconnection study from the appropriate owner of the Transmission Line. The Transmission Services Account Executive should be contacted for information regarding the cost and time required for the interconnection study.

4.3 Environmental and Permitting Considerations

MEPA requires state agencies to consider the environmental consequences of a major decision prior to making an irretrievable commitment of resources. In most cases, DNRC will have to do an Environmental Assessment (EA) or Environmental Impact Statement (EIS) before making a decision whether to sign a lease agreement for a new wind power facility on state school trust land. DNRC will have sole discretion to decide the level of environmental review required.

If an EA does not result in a Finding of No Significant Impact (FONSI), then an EIS would be required. If DNRC thinks it will be unable to issue a FONSI, then we would do an EIS instead of an EA. Most power projects require an EIS. The proposer may have to pay for the EA or EIS prepared, and will be expected to cooperate in the process.

Project design must incorporate state-of-the-art measures to minimize the potential for avian mortality, reduce noise, and minimize visual impacts of the facility. The project must incorporate and comply with mitigation measures identified in the EA or EIS.

If the project requires county or state permits, such as a conditional use permit or site certificate, the developer will be expected to obtain these permits and pay associated costs. DNRC will cooperate in preparing an EA or EIS that can be used to satisfy county or state requirements.

4.4 DNRC Decision-Making Process

DNRC will not make a final decision to proceed with the project until a Record of Decision (ROD) is signed by DNRC's decision maker. A lease agreement could be executed immediately after issuance of the ROD.